Iowa Telecommunications & Technology Commission
Grimes State Office Building, 1st Floor
400 E. 14th Street, Des Moines, IA 50319

F I N A L

September 15, 2011

To ensure the most efficient use of State resources, the September 15, 2011, ITTC meeting contained some video conference participants pursuant to Iowa Code section 21.8. A video conference call which ensured more people were able to participate in the meeting and reduced the risk of delays caused by weather or other impediments to travel. The meeting was also accessible to members of the public through attendance at the Grimes State Office Building.

Commissioners Present
Betsy Brandsgard, Chairperson (on-site)
Richard Bruner, Member (on-site)
Shannon Cofield, Member (on-site)
Robert R. Hardman, Member (on-site)
Tim Lapointe, Member (on-site)
David A. Vaudt, Ex-Officio Member (on-site)

Iowa Communications Network Staff Present:
Dave Lingren, Executive Director
Mark Johnson, Administration Director
Will Walling, Network Operations and Engineering Director
Deb Evans, Finance Manager
Phil Groner, Business Services Manager
David Marley, Network Operations and Engineering Manager
Kevin Heinzeroth, Finance
Tami Fujinaka, Government Relations Officer
Jontell Harris, Information Specialist 1
Alexis Slade, Executive Secretary (Recorder)

Guests:
Aaron Beckerman, Iowa Network Services (INS)
Meghan Gavin, Attorney General's Office
Joe Koontz, Mississippi Bend Area Education Agency 9
Terry Rinehart, Iowa Public Television (IPTV)
Marcia Tannian, Legislative Services Agency (LSA)
Russ Trimble, Senate Republican Caucus

Call to Order

Commissioner Brandsgard called the meeting to order at 10:01am. It was noted that a quorum of members was present for the meeting.

Approval of the July Meeting Minutes:

Commissioner Hardman moved for approval of the July 21, 2011, ITTC meeting minutes; Commissioner Bruner seconded the motion: A roll call vote was taken; Minutes approved.

Commissioner Bruner – Yes
Commissioner Cofield – Yes
Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Brandsgard – Yes

Old Business:

Broadband Technologies Opportunities Project (BTOP) Grant Update – Phil Groner/Kevin Heinzeroth

ICN has received the core Dense Wavelength Division Multiplexing (DWDM) equipment that drives the heart of the network. The DWDM has been deployed to several sites and will be turned up on September 16, 2011. The BTOP team continues to work with vendors who were contracted for fiber Indefeasible Rights of Use (IRUs) starting in the North West quadrant of the state.

ICN continues to work with sub-recipients to discuss their progression with deploying RFP's for fiber backbone in their prospective towns as part of the BTOP project. The National Telecommunications and Information Administration (NTIA) asked the ICN to participate in writing an article highlighting Iowa's achievements in the BTOP project. NTIA is really impressed with ICN's project and how it's being run. ICN will ensure the Commissioners receive a copy of that article.

During the month of August 2011, ICN began using federal funds for the BTOP project. ICN has made two withdrawals so far, each of them about $250,000 totaling $500,000 that has been spent. The ADVA equipment will be the major equipment purchase at $5 million. The plan is to have the ADVA equipment fully installed by December 1, 2011.

NTIA is presenting an update to Congress on the BTOP project progressing across the country and the ICN is one of agencies they're using as a role model of how BTOP projects should be conducted.

NOTE: Chairperson Brandsgard requested that ICN send a copy of the article highlighting the ICN to congressional partners and legislators as well as executive branch offices so they're aware of the ICN's impact on Iowa and how well the ICN is managing this very big project.

New Business:

Review 2011 ICN Budget-to-Actual Financials – Kevin Heinzeroth

The ICN started out the year as normal with July probably being the lowest monthly amount of revenue during the year. Cash from Operations is at negative $250,000 for the month of July which is actually 42 percent better than what ICN forecasted. Initially ICN calculated negative $436,000 revenue for Operations. Overall Operating revenues were three percent lower than what was budgeted. Video services were down 13 percent from what was budgeted, because video usage hours increased. Revenues for Data were down one percent from what was budget. Indirect Expenses we were down six and a half percent. General and Administrative expenses were down 12 percent from what was budgeted due to salaries, but that'll be catching up through the year as mandatory contract pay raises kick in and the ICN is fully staffed. These numbers are normal for the beginning of ICN's Fiscal Year (FY). Preliminary numbers for August 2011 show the ICN rebounding. ICN will for the most part be breaking even in the month of August 2011.

Approve FY 2013 Budget (Action) – Kevin Heinzeroth

The ICN, as well as all state agencies, are required to have a preliminary budget in the State Accounting System. (SAS) by October 1, 2011. ICN has received some guidance on what the state wants in the system for the upcoming year, but the main budget for FY 2013 will be revisited and redone next spring. Right now the ICN has created a tentative budget based upon what the ICN has experienced this past year and what we think our revenues will be. The SAS requires that state agencies create their budget so that it runs down to zero, so that is how the ICN has created the budget for FY 2013.

For FY 2013 ICN's Universal Service Funds (USF) reimbursement rate is expected to be higher than what it is for FY 2011. Maintenance costs are expected to increase due to the Alcatel-Lucent contract and wage costs will continue to climb. ICN has budgeted for 90 full-time employees for FY 2013, and there are also increases of three percent for cost of living and merit increases of 4.5 percent. All this combined will total a $1.3 million increase from what ICN spent in FY 2010.

Q. Is the equipment appropriation request the only general fund money the ICN receives?
    A. No, equipment appropriations are not general fund money. There are separate monies for technology.

Q. Is USF funding secure for the near and long term future?
    A. For the near term yes, for the long term no. The industry has no idea what the new FCC changes might mean to them.

Commissioner Cofield moved for approval of the FY 2013 budget, which will be subject to further review and resubmission in the spring; Commissioner Hardman seconded the motion. A roll call vote was taken; the report was approved subject to future revision.

        Commissioner Bruner – Yes
        Commissioner Cofield – Yes
        Commissioner Hardman – Yes
        Commissioner Lapointe – Yes
        Commissioner Brandsgard – Yes

Infrastructure Appropriations Request (Action) – Mark Johnson

This appropriation request calls for an investment of $2,248,653 to replace and upgrade equipment that is reaching its end of functional life. This minimum investment will address two different funding issues affecting the ICN: To ensure ICN eligibility to receive USF monies on behalf of Iowa schools and libraries, an investment in the Network infrastructure must be made. Previously, the state's annual debt service payment for construction of the Network's backbone met this requirement.

Commissioner Lapointe moved for approval of the infrastructure appropriations request report; Commissioner Bruner seconded the motion: A roll call vote was taken; the report was approved.

        Commissioner Bruner – Yes
        Commissioner Cofield – Yes
        Commissioner Hardman – Yes
        Commissioner Lapointe – Yes
        Commissioner Brandsgard – Yes

K-12 Connections Update – Terry Rinehart

In Iowa, October is a big month for talking to education staff about K-12 Connections. Iowa Public Television (IPTV) will be talking to educators about the resources provided by IPTV, making presentations or operating booths about what IPTV offers. IPTV will be present at events such as ICN's IN TOTO conference on October 13, 2011. IPTV will have a presence at the Iowa Technology and Education conference in Des Moines on October 16th and 17th, and the conference on October 20, 2011, at the Iowa Lutheran Teacher's conference. IPTV is also deploying a lot of electronic communications about their website. IPTV is also trying new things with social media, such as Facebook and Twitter.

Video Usage Business Model –Tami Fujinaka

A team within the ICN has been working on this project for several months. The Education Telecommunications Council (ETC) and Regional Telecommunications Council's (RTCs) were put into place to ensure the educational user has a voice in the technologies utilized in the network and to make sure the technologies will meet the needs of education. They found that schools needed assistance with classroom maintenance, scheduling, development of technological plans and purchasing equipment. Appropriations were made for the purpose of allocating funding to support the maintenance of the video sites at the K-12 schools, community colleges, Board of Regents (BOR) universities and Area Education Agencies (AEA's). In the early days appropriations were also used to fund salaries of five technicians at IPTV as well as training for educators and staff. Prior to the formation of the ICN as an independent agency, IPTV provided many of the support tasks that the ICN currently provides to the video site users. Most of these tasks have migrated from IPTV to ICN, including video scheduling and technical support. The remaining tasks that IPTV continues to perform for educational users is the allocation of an appropriation to the RTC's for subsidization of classroom maintenance, regional scheduling and LAN/Technology planning support. A distribution formula is approved annually. Members of the ETC developed a template for RTC's to complete, which outlines their spending and service plan for the upcoming fiscal year. These plans are submitted to the IPTV board for review and approval. For the past several years, it has appeared the lobbying support for the RTC appropriation has declined.

The IPTV Board has approved the transfer of the RTC appropriation and its allocation process to the ITTC at its December 2010 meeting. Prior to accepting the task, ICN emphasized the need to modify the allocation model to ensure distance learning infrastructure and support requirements were being met in an equitable and cost efficient manner, as stipulated by the intent of Code of Iowa. ICN staff reviewed the RTC plans and reports that have been received from FY 2005 through FY 2010. The reporting methodologies were not consistent and it was difficult to determine if the funding was utilized as stated within the submitted plans to provide the services included in the appropriation description. The ICN team interviewed staff from five RTCs beginning in January 2011 through August to gain a more in depth understanding of the services provided and challenges met by the RTCs. ICN has presented a high level report to the chair of the IPTV and it was received very well and is being looked at by other ETC members. ICN plans to present this report to the ITTC by November 2011.

Q. Is there any feedback from community colleges?
    A. ICN has not met with the community colleges yet.

Sale/Lease Request for Proposal (RFP) – Dave Lingren

The ICN was going to sole source the selling/lease project, but the concern was that because of the visibility of the project it would appear inappropriate. ICN has been in the process of crafting an RFP to find a Project Manager (PM). ICN has issued the RFP and has received responses from three different PM's, which are being reviewed and scored. The goal is to allow for any appeal time and contract negotiations, then by October 1, 2011, have a PM on board and working.

Strategic Plan Update/Discussion – Dave Lingren

There are a few updates that needed to be made to ICN's Strategic Plan. The goal of "Maintaining a Qualified Workforce" will be lead by Mark Johnson (Administration Division) instead of Kevin Heinzeroth (Finance Division). The goal to "Enable Customers, Stakeholders, Partners and End Users to Have a Full Understanding of the Purpose of the ICN and Capabilities of Broadband Available Through ICN in Partnership with Private Sector Entities" has a couple of tasks and actions within it that need to be addressed. Item number 3, to develop a new website, has been put on hold so that ICN can ensure we are in compliance with what the Governor's Office wants. For item number four, host a Legislators' information exchange, there has been no date established for that task. Item number six, establish quality assurance programs, is on hold due to some restructuring the ICN is doing.

Maintenance Vendor Ownership Change – Dave Lingren

Windstream's intent to purchase PAETEC should not affect the ICN. Right now it's in the quiet period while the government evaluates that possible purchase. It is not believed that the government would block the purchase, so expect to see a change from PAETEC to Windstream. ICN will continue to work with the company as we do today.

Video Rates (Action) – Phil Groner

There are two separate items to discuss regarding rates. First are the MPEG 2 video rates. In July the recommendation was to post no change for FY 2013 for the MPEG 2. The ICN did receive a letter back from the ETC recommending the ICN keep the video rates for FY 2013 at the current FY 2012 rate, which will help K-12 and libraries to continue to use the system. The ETC has also made some recommendations on how the ICN rate videoconferencing. The ICN has taken those recommendations and tried to apply them to the proposed rates.

Hardman moved to keep rates the same as identified in ICN's IP Video Rates Proposal; Lapointe seconded the motion: A roll call vote was taken; the video rates were approved.

> Commissioner Bruner – Yes
> Commissioner Cofield – Yes
> Commissioner Hardman – Yes
> Commissioner Lapointe – Yes
> Commissioner Brandsgard – Yes

Certified User Waiver Requests (Action) – Phil Groner

ICN has one redundant internet connection waiver request.
>   1.   AEA 267

ICN has one long distance voice services waiver request.
>   1.   Board of Regents

Discussion:
AEA 267 is requesting a renewal of their approved waiver request. ICN staff has reviewed this waiver and recommends approval.

Commissioner Hardman moved for approval of the AEA 267 Waiver request; Commissioner Bruner seconded the motion: A roll call vote was taken; The AEA 267 waiver was approved.

> Commissioner Bruner – Yes
> Commissioner Cofield – Yes
> Commissioner Hardman – Yes
> Commissioner Lapointe – Yes
> Commissioner Brandsgard – Yes

The Board of Regents (BOR) and its institutions are requesting a three-year waiver of the requirement to purchase all voice services from the ICN. Their reasoning is that the cost to unauthorized users for services provided on the network are not competitive with the same services provided by another provider. The BOR provided the ICN with research they conducted on their estimated savings and rate comparisons.

Q. Where is the ICN at with streamlining these waiver requests?

A. There was legislation (law) passed stating that the ICN must grant three year waivers if they are requested, but ICN is not obligated to grant three-year waivers if not requested.

Lapointe made a motion to table this waiver until the ITTC receives additional information from the BOR; Bruner seconded the motion: A roll call vote was taken; the BOR has been tabled.

Commissioner Bruner – Yes
Commissioner Cofield – Yes
Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Brandsgard – Yes

Video Service Project Rates (Action) – Phil Groner

The design of these rates makes it easy ICN customers to transition to. The recommendation was to move to a package as a whole, which will give ICN some flexibility with customers. The model ICN wants to move to is like a cell phone or data plan. There can be an unlimited plan where the customer can pay a higher monthly rate or they can choose to limit their data usage to whatever Megabytes or Gigabytes a month they want. The standard monthly flat rate would be the unlimited option where the customer could use as many hours per month as they want.

Q. Were the rates developed based on what's out there on the market, what was the basis for developing these rates?
A. Market research was done on rates.

Q. Has the ICN given some potential users possible rates to look at? Has the ICN received any feedback from them?
A. Yes. The ICN did receive some good feedback from possible users.

Commissioner Bruner made a motion to publish the Video Service Project rates for comments and by the October 2011, ITTC meeting obtain a final decision based on the comments ICN receives; Hardman seconded the motion: Motion was approved.

Commissioner Bruner – Yes
Commissioner Cofield – Yes
Commissioner Hardman – Yes
Commissioner Lapointe – Yes
Commissioner Brandsgard – Yes

Other Business

Waivers

For the most part the ITTC has approved waivers without much discussion or issues for many years. In the past when the ITTC had issues with waiver approvals the Attorney General's office provided some guidance on the nature of the language on what's competitive and what is not. Could the AG's office provide the ITTC with a memo before the October 2011 meeting so the Commissioners can be better prepared for the meeting?

Note: Meghan Gavin (AG's Office) can research that information for the Commissioners.

Adjournment

Commissioner Bruner made a motion that the meeting be adjourned; Commissioner Hardman seconded the motion: With there being no further business, the ITTC meeting adjourned at 11:42 am.

ATTESTED TO:

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        Betsy Brandsgard, Chair, Iowa Telecommunications and Technology Commission